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CO/EP

1 August 1956



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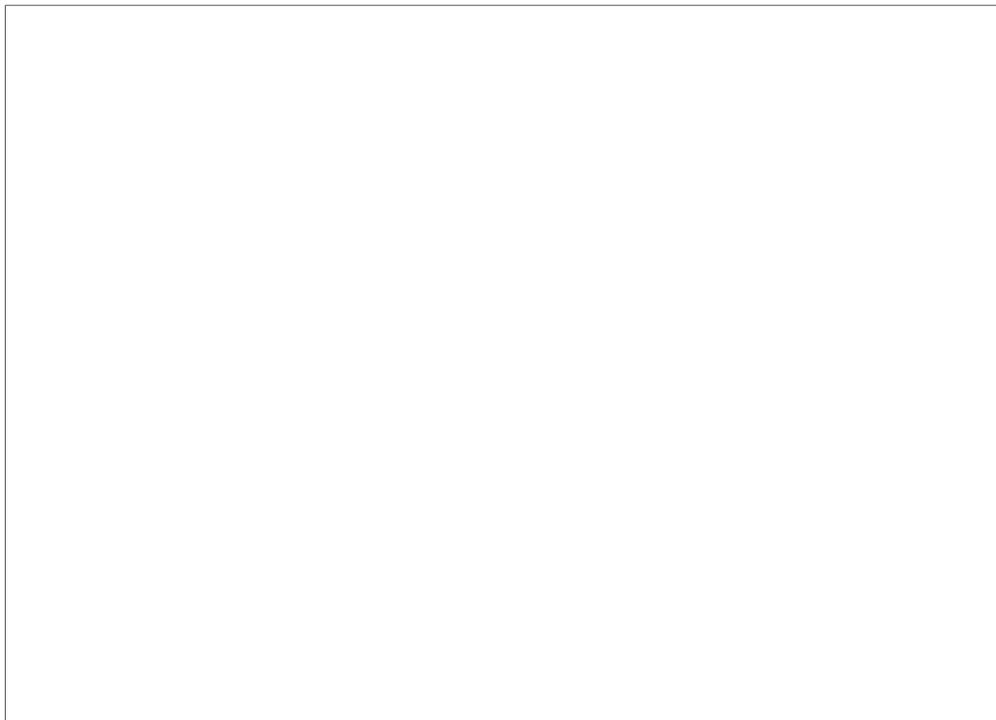
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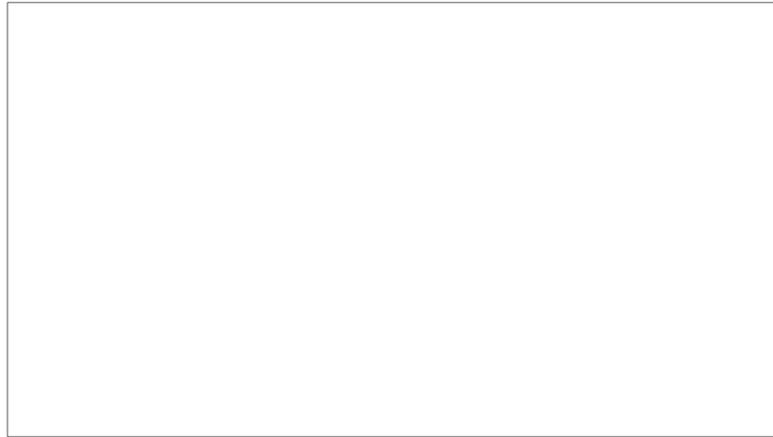
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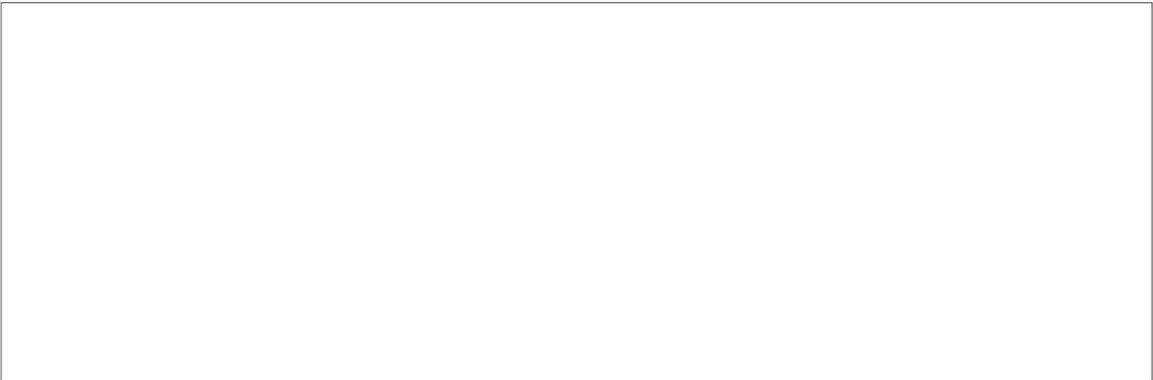
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1. NASR EMPHASIZES FREEDOM OF SUEZ NAVIGATION



Egypt's statement on 31 July that it intends to abide by the 1888 international convention on freedom of navigation of the Suez Canal and all other "international obligations" is designed to cut the ground from under reported Western moves to call a conference to deal with this problem. The announcement that Egypt will not force canal company employees to stay on the job if they give notice and resign in a regular manner is an effort to avoid accusations that Egypt is violating human rights in holding company personnel "prisoner."

The Egyptian government appears anxious to avoid any action which it feels could reasonably be construed as violating international agreements on the use of the canal. At the same time, however, the Egyptians are vigorously insisting on their right to nationalize the company, maintaining that nationalization involves only a change in the control of the administration of the canal, not in its operation.



Meanwhile, London's efforts to avoid provoking Egypt are indicated by the order to four troopships to bypass Suez by going around Africa, and by the announcement that the two Egyptian destroyers being fitted out in Britain will be released.

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2. KHRUSHCHEV COUNSELS MODERATION BY WEST IN SUEZ DISPUTE

 Khrushchev in a speech at a builders' rally on 31 July advised the British and French governments to use "common sense, experience and political soberness" in adjusting to Egyptian nationalization of the Suez Canal. He played down the cause for tension and warned that "unwise voices" are heard in Britain and France asking for the application of "some unspecified means of oppression, almost of military operations." He reaffirmed Soviet support for the legality of the Egyptian position.

Comment

The USSR has made clear its desire for a peaceful solution of the canal dispute.

Press dispatches quote an unidentified Soviet bloc spokesman in London to the effect that Moscow recognizes Egyptian sovereignty over the canal, but would be willing to join in discussions for an "international solution" that would permit unrestricted passage by foreign ships. 

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3. BURMESE PRESS ACCUSES CHINA OF VIOLATING BURMA BORDER

[Redacted]

A leading Rangoon newspaper has published information, apparently obtained from the Burmese government, that several hundred Chinese Communist troops have "invaded"

northern Burma.

[Redacted]

[Redacted] the Burmese government learned of the Chinese incursions on 29 July and has lodged several protests with Peiping.

[Redacted] the Communist soldiers are "sitting tight," claiming that the border is undemarcated and that they are in Chinese territory.

Although there have been numerous instances of Chinese Communist incursions into areas of Burma adjacent to the portions of the border that are undemarcated, the current incident appears to be considerably more serious. There have as yet been no reports of actual fighting, but Chinese forces are reported to have established themselves as far as 60 miles within territory claimed by Burma.



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It is probable that the government is using the press to induce Peiping to negotiate a settlement of the border problem. Sino-Soviet bloc strategy has been to court such neutral countries as Burma, and Chinese Communist embarrassment over the current Burmese publicity campaign may persuade Peiping to negotiate despite its previous refusal to do so.

A Burmese communiqué issued on 31 July played down the seriousness of the situation and stated that negotiations for a withdrawal are in progress. If these negotiations fail, Burma may seek international support for its position, probably through the UN.

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4.

[redacted]
TIBETAN REBELS

[redacted]
[redacted] suggest that the fighting is confined to areas on the Tibet, Szechwan border where the tribal population is traditionally hostile to central control and that it probably does not extend to Lhasa or other localities of Tibet proper.

[redacted]
[redacted]
[redacted] There are indications that Peiping has recently transferred troops from Yunnan Province to western Szechwan to help put down the rebellious Tibetans. The Chinese appear to be in general command of the situation despite press reports from India that they have suffered major setbacks.

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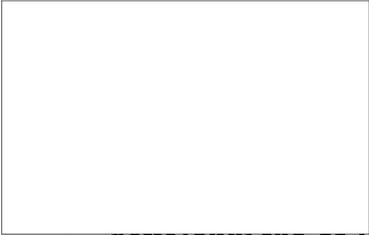
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5. BRITISH CONTINUING TO OBSTRUCT SEATO'S DEVELOPMENT

 Reports from Bangkok indicate that British obstructionism continues to be the primary obstacle to American efforts to maintain momentum in the development of SEATO as an effective organization. Ambassador Bishop, the American representative on the SEATO council, points out that Britain has opposed and delayed adoption of practically every important American proposal, including the establishment of a public relations office and a research center. It has also sought to limit the scope of both classified and public reports on SEATO activities.

Bishop reports that Britain is currently delaying discussions on a projected report of the council's activities because of a "fundamental opposition" to the American concept that the entire range of the treaty's implementation should be covered.

The most serious effect of London's attitude has been the damage to SEATO's stature in the eyes of its three Asian members--Pakistan, Thailand and the Philippines. They have all expressed considerable dissatisfaction over SEATO's slow development and lack of results. 

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6. INDONESIAN PRESIDENT LAUDS UNITED STATES



In an "extraordinary" speech in praise of the United States at an Indonesian National Party congress held in Semarang, a Communist stronghold in Java,

President Sukarno, according to Ambassador Cumming, demonstrated publicly the very favorable impressions received during his recent visit to the United States. Sukarno declared that he had found in America full freedom of expression and an amazing freedom from want. He indicated that the first of these elements was lacking in the Soviet Union.

Cumming comments that the speech may produce pressures from the left. The Indonesian news agency Antara omitted all pro-American references in its summary of the speech. The requirements of courtesy in connection with his trip to the USSR and Communist China may prompt some "balancing" speech. Cumming believes, nevertheless, that the fact that Sukarno is now on record as enthusiastically endorsing the American way of life is bound to have "an incalculable influence on both the Indonesian elite and masses."

Comment

The Semarang speech is in marked contrast to the attitude of Sukarno and the National Party prior to his trip to the United States.

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7. INDONESIA DISSATISFIED WITH PRESENT TRADE AGREEMENTS WITH EAST EUROPE

 Trade officials of the Indonesian Foreign Ministry have stated that the barter agreements with East European countries had been unprofitable and that the conclusion and renewal of such agreements in the past was "just a political gesture," since their provisions were never fulfilled. They said Indonesia henceforth will trade with countries offering the "most favorable conditions," according to the American embassy in Djakarta.

Comment

A Foreign Ministry official had previously announced that trade agreements with Soviet bloc countries would be renewed under normal commercial payments practice, indicating dissatisfaction with the clearing arrangements on which they were originally negotiated. The trade officials' statement indicates that the agreements were sought by the first Ali government more to demonstrate its "independent foreign policy" than in the expectation of greatly expanded trade. Indonesia has been satisfied with its trade with Communist China.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 31 July)

The Jordanian newspaper Addifaa, pro-claiming Arab support of Egypt against Western intervention over the Suez Canal nationalization, asserts that "if the cat's-paw of the West (Israel) starts to move, we must annihilate her as well as all Western intrusions such as petroleum concessions and military bases." (Press) *Al Amman 72, 30 July*

UN headquarters has announced that Andrew Cordier, executive assistant to Secretary General Hammarskjold, will visit the Near East between 21 and 24 August for discussions with Jordan, Israel, Lebanon, and Egypt. [REDACTED]

Meanwhile, Arab sources at the UN discounted press reports that their governments were attempting to obtain removal of chief truce supervisor General Burns of Canada for alleged bias in favor of Israel. These sources pointed out that if the Arab governments were planning to call for Burns' removal, information would have been sent to their UN delegations. (Press)

The Egyptian army has halted transfers of personnel from active duty into the reserves until further notice, [REDACTED]

The Egyptian frigate Tarik left Malta for Alexandria on 28 July. The frigate Ibrahim is still undergoing overhaul at Malta and will not be ready for sea for several weeks. [REDACTED]

[REDACTED] the Syrians were not training properly for making use of Soviet equipment. [REDACTED] no tank exercises had been held using more than 18 T-34 tanks, and that the SU-100 assault guns had not been fired since their arrival. [REDACTED] the Syrians would become cocky because of the new equipment, but that they could not use it properly without considerable practice. [REDACTED]

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